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10/5/00

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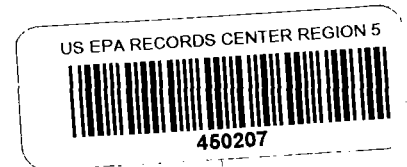
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October 5, 2000



Via Facsimile and U.S. Mail

Thomas Krueger, Esq.
U.S. Environmental Protection Agency
Mail Code C-14J
77 West Jackson Blvd.
Chicago, Illinois 60604

**RE: Nicor Gas – Mercury Sites
Administrative Order Pursuant to Section 106(a) of CERCLA**

Dear Tom:

The purpose of this letter is to confirm the results of our telephone conversation on Tuesday, September 26th. As I explained to Brad Stimple and you, Nicor has been in the process of conducting assessments of its service centers to determine the presence of mercury. In the event that mercury is found, Nicor has been using a clean-up contractor, such as Heritage, to remove the mercury following the procedures that have been identified to both you and to the Illinois Environmental Protection Agency ("IEPA").

With respect to Nicor's assessments of its service centers, this work has been moving forward in conjunction with the oversight of the IEPA. We previously have been provided a letter dated September 8, 2000 which informs us that this work is not violative of the above-referenced CERCLA §106 Order ("106 Order") and authorizes Nicor to proceed. As the work on the service centers has proceeded, Nicor has also expanded its efforts to include other Nicor owned facilities that technically may not be service centers. This would include for example, former service centers, storage fields and other locations.

On September 22nd, we worked out a procedure with the IEPA and the Illinois Attorney General's Office in order to assist Nicor in complying with Paragraph 10 of the Preliminary Injunction, dated September 16, 2000 (while also complying with the 106 Order). Under this procedure, Nicor would provide a 24-hour advance notification to the Illinois EPA of its intention to carry-out remedial activities, which consists of both an investigation and, if needed, a clean-up of a Nicor owned facility, by providing either a fax or electronic mail message.

Thomas Krueger Esq.
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Attached is a copy of the electronic mail I received from the IEPA attorney, Bill Ingersoll, which outlines how they would like us to proceed. Since receipt of this direction, Nicor has been following this procedure.

The question that you and I discussed last week was whether or not U.S. EPA would like to receive such notification and how it would like to receive this notification. Based on our conversation, it is my understanding that U.S. EPA believes that our on-going work is covered by the prior, September 8th letter, and, to the extent that the work continues at service centers, it is covered by this prior letter. To the extent the work is not at a facility which is technically a service center, then the facility may not be subject to the 106 Order. Although, it is your position the such sites would have been subject to a 106 Order had you known about them when the 106 Order was drafted.

Accordingly, it is my understanding, based upon these telephone conversations, that Nicor's continued work at any of the Nicor owned facilities, including service centers, which is being done in conjunction with the IEPA, is not violative of the 106 Order, and that Nicor is authorized to proceed. In addition, you have requested that Nicor provide you with a copy of the same notification that it sends to the IEPA. Nicor will endeavor to provide these notifications to you. In addition, you have requested that Nicor provide you with copies of any summary or result that it provides to representatives of the IEPA regarding these activities.

If you have any questions or if my understanding of our conversation is not correct, I would appreciate your immediate response.

Very truly yours,

A handwritten signature in black ink that reads "Roy M. Harsch /dml". The signature is written in a cursive, flowing style.

Roy M. Harsch

RMH/dml

cc: Brad Stimple
Richard Tappan
Alexander Allison